

**TAMARACK DISTRICT LIBRARY  
LAKEVIEW, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008



*Vredevelde Haefner LLC*

# TAMARACK DISTRICT LIBRARY

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### **INDEPENDENT AUDITORS' REPORT**

October 30, 2008

Members of the Library Board  
Tamarack District Library  
Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tamarack District Library, Lakeview, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Tamarack District Library. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Tamarack District Library as of June 30, 2008, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2008, on our consideration of the Tamarack District Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tamarack District Library's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Orlando Haefner LLC*

## **Management's Discussion and Analysis**

### **About the Library**

Tamarack District Library (the "Library") serves the Village of Lake View and all or portions of seven surrounding townships in Montcalm or Mecosta Counties, Michigan. The Library was established as a District Library under the District Library Establishment Act in 1999. The Library is governed by an eight member board with members appointed by participating municipalities.

### **Financial Highlights**

- 2008 was the first year of the Library debt millage which resulted in a substantial increase in taxes being collect by the Library
- Construction of the new library facility was underway during the year with funding provided through a USDA loan program and contributions.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information (this management discussion and analysis) in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (accrued interest on debt).

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Library currently has no business-type activities.

#### **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library only utilizes governmental funds.

## **Governmental funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

## **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to this discussion and analysis.

## **Government-wide Financial Analysis**

The following table presents condensed information about the Library's financial position for the past two (2) fiscal years. Net assets increased \$259,910 during the year. Total net assets include the investment in capital assets. Capital assets represents the capital assets held by the Library, net of related accumulated depreciation

	<u><b>2008</b></u>	<u><b>2007</b></u>
Current and other assets	\$721,835	\$468,345
Capital assets	1,768,925	396,363
<b>Total assets</b>	<b>2,490,760</b>	<b>864,708</b>
Current and other liabilities	160,579	95,825
Long-term liabilities	1,430,712	129,324
<b>Total liabilities</b>	<b>1,591,291</b>	<b>225,149</b>
Net assets		
Invested in capital assets, net of related debt	338,213	267,039
Restrict for capital projects	36,926	24,318
Restrict for debt service	76,433	-
Unrestricted	447,897	348,202
<b>Total net assets</b>	<b>899,469</b>	<b>\$639,559</b>

## Income and Expenses

The Library has maintained a stable financial position during the year ended June 30, 2008. Income was sufficient to meet the current expenses. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2008</u>	<u>2007</u>
<b>Program revenues</b>		
Charges for services	\$ 16,429	\$ 17,102
Grants	30,196	90,460
<b>General revenues</b>		
Property taxes	371,633	229,722
Penal fines	72,823	58,413
Other general revenues	21,593	20,982
<b>Total revenues</b>	<b>512,674</b>	<b>416,679</b>
<b>Functions/program expenses</b>		
Library	227,944	231,350
Interest on long-term debt	24,820	
<b>Total expenses</b>	<b>252,764</b>	<b>231,350</b>
<b>Change in net assets</b>	<b>259,910</b>	<b>185,329</b>
Net assets, beginning of year	639,559	454,230
<b>Net assets, end of year</b>	<b>\$899,469</b>	<b>\$639,559</b>

## General Fund Budgetary Highlights

Differences between the original and final amended budgets were primarily due to a the purchase of a RFID system.

## Capital Asset and Long-Term Debt Activities

During the year the Library began construction of the new library facility which is being financed through both contributions and issuance of bonds through the United States Department of Agriculture. Current year additions to construction in progress for the facility project and bonds issued to finance the project were \$1,355,933 and \$1,341,388 respectively. Additional information on long-term debt and capital assets can be found in notes 3 and 4 respectively.

## Economic Factors and Next Year's Budget

Construction of the new library will be complete and debt service payments have begun. Cost of operating the new facility is expected to increase as a result of the significant increase in facility square footage and higher utilization levels.

## Contacting the Library Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Library's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact Sherry Mountney, Tamarack District Library, PO Box 469, Lakeview, MI 48850.

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## **BASIC FINANCIAL STATEMENTS**

# TAMARACK DISTRICT LIBRARY

## STATEMENT OF NET ASSETS

JUNE 30, 2008

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	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and certificates of deposit	\$ 567,922
Due from other governments	153,913
Capital assets, net	
Land	134,996
Construction in progress	1,568,260
Buildings and equipment	<u>65,669</u>
<b>Total assets</b>	<u>2,490,760</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	160,579
Noncurrent liabilities	
Due within one year	40,000
Due in more than one year	<u>1,390,712</u>
<b>Total liabilities</b>	<u>1,591,291</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	338,213
Restricted for capital projects	36,926
Restricted for debt service	76,433
Unrestricted	<u>447,897</u>
<b>Total net assets</b>	<u>\$ 899,469</u>

The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities					
Library	\$ 227,944	\$ 16,429	\$ 500	\$ 29,696	\$ (181,319)
Interest on long-term debt	<u>24,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,820)</u>
<b>Total primary government</b>	<u>\$ 252,764</u>	<u>\$ 16,429</u>	<u>\$ 500</u>	<u>\$ 29,696</u>	<u>(206,139)</u>
General revenues					
Property taxes					
General operating					235,397
Debt service					136,236
County penal fines					72,823
State revenues					7,531
Interest earnings					<u>14,062</u>
Total general revenues and transfers					<u>466,049</u>
Change in net assets					259,910
Net assets, beginning of year					<u>639,559</u>
<b>Net assets, end of year</b>					<u><b>\$ 899,469</b></u>

The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2008

	<u>General</u>	<u>Library Construction</u>	<u>Debt Service</u>	<u>Total</u>
<b>Assets</b>				
Cash and certificates of deposit	\$ 454,763	\$ 36,726	\$ 76,433	\$ 567,922
Due from other funds	-	200	-	200
Due from other governments	-	153,913	-	153,913
<b>Total assets</b>	<u>\$ 454,763</u>	<u>\$ 190,839</u>	<u>\$ 76,433</u>	<u>\$ 722,035</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,748	\$ 153,913	\$ -	\$ 155,661
Due to other funds	200	-	-	200
<b>Total liabilities</b>	1,948	153,913	-	155,861
<b>Fund balances</b>				
Unreserved				
Undesignated	452,815	36,926	76,433	566,174
<b>Total liabilities and fund balance</b>	<u>\$ 454,763</u>	<u>\$ 190,839</u>	<u>\$ 76,433</u>	<u>\$ 722,035</u>

The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2008

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<b>Fund balances - total governmental funds</b>	<b>\$ 566,174</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	1,768,925
Certain liabilities, such as bonds, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - Bonds payable	(1,430,712)
Deduct - accrued interest on bonds payable	<u>(4,918)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 899,469</u></b>

The accompanying notes are an integral part of these financial statements.

**TAMARACK DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES**

**AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Library Construction</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 222,974	\$ -	\$ 136,236	\$ 359,210
Intergovernmental				
State revenues	7,531	-	-	7,531
County penal fees	72,823	-	-	72,823
Township	12,423	-	-	12,423
Fees and charges	11,564	-	-	11,564
Interest	11,858	2,204	-	14,062
Donations and miscellaneous	5,073	29,939	49	35,061
<b>Total revenues</b>	<u>344,246</u>	<u>32,143</u>	<u>136,285</u>	<u>512,674</u>
<b>Expenditures</b>				
Current				
Library				
Personnel	115,618	-	-	115,618
Contractual	19,063	42,737	-	61,800
Supplies and other	67,845	2,588	50	70,483
Capital outlay	37,007	1,310,658	-	1,347,665
Debt service				
Principal	-	-	40,000	40,000
Interest	-	4,940	19,902	24,842
<b>Total expenditures</b>	<u>239,533</u>	<u>1,360,923</u>	<u>59,952</u>	<u>1,660,408</u>
Revenues over (under) expenditures	<u>104,713</u>	<u>(1,328,780)</u>	<u>76,333</u>	<u>(1,147,734)</u>
Other financing sources (uses)				
Bond issuance	-	1,341,388	-	1,341,388
Transfers in	-	-	100	100
Transfers out	(100)	-	-	(100)
<b>Total other financing sources (uses)</b>	<u>(100)</u>	<u>1,341,388</u>	<u>100</u>	<u>1,341,388</u>
Net changes in fund balances	104,613	12,608	76,433	193,654
<b>Fund balances, beginning of year</b>	<u>348,202</u>	<u>24,318</u>	<u>-</u>	<u>372,520</u>
<b>Fund balances, end of year</b>	<u>\$ 452,815</u>	<u>\$ 36,926</u>	<u>\$ 76,433</u>	<u>\$ 566,174</u>

The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

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Net changes in fund balances - total governmental funds	\$ 193,654
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,380,175
Deduct - depreciation expense	(7,613)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds of bonds	(1,341,388)
Add - payment of bond principal	40,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increases in accrued interest	(4,918)
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Change in net assets of governmental activities	<u>\$ 259,910</u>
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The accompanying notes are an integral part of these financial statements.

# TAMARACK DISTRICT LIBRARY

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 200,000	\$ 200,000	\$ 222,974	\$ 22,974
Intergovernmental				
State revenues	4,000	7,000	7,531	531
County penal fees	58,000	72,000	72,823	823
Township	12,000	12,000	12,423	423
Fees and charges	9,000	9,000	11,564	2,564
Interest	6,000	6,000	11,858	5,858
Donations and miscellaneous	200	700	5,073	4,373
<b>Total revenues</b>	<u>289,200</u>	<u>306,700</u>	<u>344,246</u>	<u>37,546</u>
<b>Expenditures</b>				
Current				
Library				
Personnel	124,548	129,048	115,618	13,430
Contractual	24,040	26,100	19,063	7,037
Supplies and other	122,600	128,391	67,845	60,546
Capital outlay	7,000	36,100	37,007	(907)
<b>Total expenditures</b>	<u>278,188</u>	<u>319,639</u>	<u>239,533</u>	<u>80,106</u>
Revenues over (under) expenditures	<u>11,012</u>	<u>(12,939)</u>	<u>104,713</u>	<u>117,652</u>
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(100)</u>
Net changes in fund balance	11,012	(12,939)	104,613	117,552
<b>Fund balance, beginning of year</b>	<u>348,202</u>	<u>348,202</u>	<u>348,202</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 359,214</u>	<u>\$ 335,263</u>	<u>\$ 452,815</u>	<u>\$ 117,552</u>

The accompanying notes are an integral part of these financial statements.



**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Tamarack District Library, Lakeview, Michigan (the "Library") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Tamarack District Library. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Library.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Library has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Library reports the following major governmental funds

The *General Fund* is the general operating fund of the Library. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Construction Fund* accounts for the accumulation and disbursement of resources for the construction of a new library building.

The *Debt Service Fund* accounts for the collections of debt millages to retire the outstanding long-term debt of the library construction project.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resource as they are needed.

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. County penal fines are recognized when received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. County penal fines and other revenues are recognized when received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due.

All Governmental Funds are accounted for on a spending or "flow of financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

***Budgets and Budgetary Accounting***

Comparisons to budget are presented for the General Fund. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Library Director submits to the Library board a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general funds.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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6. Adoption and amendments of all budgets used by the Library are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Library. Any amendment to the original budget must meet the requirements of Michigan Law. The Library did amend its budget for the year ended June 30, 2008. Any revisions that alter the expenditures at the activity level within the general fund must be approved by the Library Board.

***Deposits and Investments***

State statutes authorize the Library to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Library's investment policy is more restrictive than state requirements and allows for investment in only those investment vehicles identified in items a. and b. above.

***Capital Assets***

Capital assets, which include property, and, equipment are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**TAMARACK DISTRICT LIBRARY**  
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**FOR THE YEAR ENDED JUNE 30, 2008**

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Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	40
Equipment	5

***Property Taxes***

The Library receives an allocation of the county-wide property taxes collected by Montcalm County along with an operating millage from the townships within their service area. Property taxes are levied and become an enforceable lien on December 1. Taxes are payable by February 15. Real property taxes not collected as of March 1 are turned over to the County for collection, which advances the Library 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the townships. The Library also received a payment in lieu of property taxes from the State of Michigan for property located within a renaissance zone. Property tax revenues are recognized as revenue in the year for which they are levied.

***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

***Interfund Transactions***

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers. Transfers recorded in the financial statements represent repayment from the capital projects fund to the general fund for capital outlay expenditures associated with construction of the new library. Due to other funds and due from other funds at year end represent short term borrowing between the funds.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

***Long-Term Obligations***

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Risk Management***

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Library carried commercial insurance to cover risks of losses. The Library has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**2. CASH AND CERTIFICATE OF DEPOSITS**

The balance on the financial statements for cash and certificates of deposit is \$567,922.

This balance is in two financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Library and a specific fund or common account. They are recorded in Library records at fair value.

***Deposit risk***

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. As of year-end, \$423,408 of the Library's bank balance of \$604,546 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**3. LONG-TERM DEBT**

The following is a summary of the debt transactions of the Library for the year ended June 30, 2008.

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
Library Improvement Bonds, Series 2007. Payments due in annual installments of \$40,000 to \$85,000 through June 1, 2037; interest at 4.125%,	\$ 129,324	\$1,341,388	\$40,000	\$1,430,712	\$40,000

The series 2007 bonds were issued through a United States Department of Agriculture program which provides for bond proceeds to be received as the library construction project progresses to a maximum amount of \$2,300,000. The following future minimum payment schedule only includes debt outstanding at June 30, 2008.

**TAMARACK DISTRICT LIBRARY**  
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**FOR THE YEAR ENDED JUNE 30, 2008**

The annual requirements to amortize all debt outstanding as of June 30, 2008 are as follows:

<b>Year Ended June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2009	\$ 40,000	\$ 59,017
2010	45,000	57,367
2011	45,000	55,511
2012	45,000	53,654
2013	50,000	51,798
2014-2018	275,000	226,816
2019-2023	345,000	164,528
2024-2028	415,000	88,009
2029-2033	170,712	10,165
<b>Total</b>	<b>\$ 1,430,712</b>	<b>\$766,865</b>

**4. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008</b>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$134,996	\$ -	\$ -	\$ 134,996
Construction in Progress	212,327	1,355,933	-	1,568,260
Total capital assets, not being depreciated	347,323	1,355,933	-	1,703,256
<b>Capital assets, being depreciated</b>				
Building and improvements	50,000	-	-	50,000
Equipment	7,575	24,242	-	31,817
Total capital assets, being depreciated	57,575	24,242	-	81,817
Less accumulated depreciation for				
Building and improvements	5,505	1,250	-	6,755
Equipment	3,030	6,363	-	9,393
Total accumulated depreciation	8,535	7,613	-	16,148
<b>Net capital assets, being depreciated</b>	<b>49,040</b>	<b>16,629</b>	<b>-</b>	<b>65,669</b>
<b>Governmental activities capital assets, net</b>	<b>\$396,363</b>	<b>\$1,372,562</b>	<b>\$ -</b>	<b>\$1,768,925</b>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
Library	<u>\$ 7,613</u>

**TAMARACK DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**5. COMMITMENTS**

As of year end the Library had outstanding commitments of approximately \$829,000 for construction of a new library building.

**6. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

State law provides that the Library shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Library's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the functional level. The approved budgets of the Library for these budgetary funds were adopted at the activity level. During the year ended June 30, 2008, the Library incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
<b>General Fund</b>			
Capital outlay	\$36,100	\$37,007	\$907

**7. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables of individual funds at June 30, 2008 were as follows:

	<u>Payable fund</u>
	<u>General</u>
<u>Receivable fund</u>	<u>Fund</u>
Library construction fund	\$200

Interfund balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

**8. INTERFUND TRANSACTIONS**

Transfers in and out for the year ended June 30, 2008 are as follows:

	<u>Transfer In</u>
	<u>Debt</u>
<u>Transfers out</u>	<u>Service</u>
General fund	\$100

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

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## **SINGLE AUDIT SECTION**

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### **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 30, 2008

Members of the Library Board  
Tamarack District Library  
Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tamarack District Library, Lakeview, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Tamarack District Library's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Tamarack District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tamarack District Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tamarack District Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Tamarack District Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Tamarack District Library's financial statements that is more than inconsequential will not be prevented or detected by the Tamarack District Library's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding number 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Tamarack District Library's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency noted above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Tamarack District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Tamarack District Library's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Tamarack District Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Library board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wardensold Haefner LLC*



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### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 30, 2008

Members of the Library Board  
Tamarack District Library  
Lakeview, Michigan

#### **Compliance**

We have audited the compliance of the Tamarack District Library, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Tamarack District Library's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Tamarack District Library's management. Our responsibility is to express an opinion on the Tamarack District Library's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Tamarack District Library's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tamarack District Library's compliance with those requirements.

In our opinion, the Tamarack District Library, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

#### **Internal Control Over Compliance**

The management of the Tamarack District Library is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Tamarack District Library's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Library Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Orlando Haefner LLC*

**TAMARACK DISTRICT LIBRARY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Agriculture Rural Economic Development Loan Proceeds		10.766	\$ <u>1,341,388</u>

Expenditures on the schedule of expenditures of federal awards may differ from expenditures in the financial statements due to assets being purchased with capital grants being capitalized and depreciated over the related asset's estimated useful lives.

**TAMARACK DISTRICT LIBRARY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued	Unqualified on basic financial statements	
Internal controls over financial reporting		
Material weaknesses identified?	<u>  x  </u> yes	<u>      </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> yes	<u>  x  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  x  </u> no

**Federal Awards**

Internal control over major programs		
Material weaknesses identified?	<u>      </u> yes	<u>  x  </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u>      </u> yes	<u>  x  </u> none reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u>      </u> yes	<u>  x  </u> no

Identification of Major Programs

CFDA Number(s)

10.766

Name of Federal Program or Cluster

Rural Economic Development Loan Proceeds

Dollar threshold used to distinguish between Type A and B programs?	<u>  \$300,000  </u>
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  x  </u> no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2008-1**

New auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls for the fair presentation in the financial statements of financial position, results of operations, including the notes to the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) and that the auditor cannot be a part of those internal controls.

We noted that the Library was not recording entries necessary to prepare fund basis financial statements on the modified accrual basis of accounting or to prepare entity-wide financial statements on the accrual basis of accounting.

**Management response:** We have determined that the cost of completing GAAP basis financial statements internally outweighs the benefit to be received.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

Finding 2008-1 is a repeat of prior year finding 2007-1. There were no other findings reported in the prior year.